

Agency 140

**Department of Revenue****Recommendation Summary**

Dollars in Thousands

	Annual FTEs	General Fund State	Other Funds	Total Funds
<b>2003-05 Expenditure Authority</b>	1,067.2	166,137	11,297	177,434
<b>Total Maintenance Level</b>	1,062.8	176,339	12,338	188,677
Difference	(4.4)	10,202	1,041	11,243
Percent Change from Current Biennium	(0.4)%	6.1%	9.2%	6.3%
<b>Performance Changes</b>				
Revenue Enforcement Enhancement	14.0	2,630		2,630
Middle Management Reduction	(13.9)	(1,480)	(50)	(1,530)
General Inflation		(642)	(29)	(671)
Legislation-Tax Incentive Program Consistency #	.4	58		58
Unclaimed Property Revenue - HB 1845	.3		(492)	(492)
<b>Subtotal</b>	0.8	566	(571)	(5)
<b>Total Proposed Budget</b>	1,063.5	176,905	11,767	188,672
Difference	(3.7)	10,768	470	11,238
Percent Change from Current Biennium	(0.3)%	6.5%	4.2%	6.3%
<b>Total Proposed Budget by Activity</b>				
Administrative	83.9	17,797	20	17,817
Property Tax Administration	53.7	11,386		11,386
State and Local Revenue Collection and Distribution	561.6	89,915	5,559	95,474
Tax Auditing	289.5	44,368	(5)	44,363
Tax Policy Research, Analysis, and Interpretation	41.1	7,100		7,100
Taxpayer Appeals	21.2	3,850		3,850
Unclaimed Property Management	26.5	192	6,018	6,210
Compensation Cost Adjustment		3,777	225	4,002
Middle Management Reduction	(13.9)	(1,480)	(50)	(1,530)
<b>Total Proposed Budget</b>	1,063.5	176,905	11,767	188,672

**PERFORMANCE LEVEL CHANGE DESCRIPTIONS****Revenue Enforcement Enhancement**

The department will employ several strategies to enhance current revenue enforcement activities. Strategies will include, but are not limited to, audit activity, tax discovery efforts, and delinquent account collections. This investment is expected to produce \$15.2 million in revenue for the state general fund in the 2005-07 Biennium.

**Middle Management Reduction**

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount.

**Legislation-Tax Incentive Program Consistency #**

Proposed legislation sets forth more uniform administrative provisions for tax incentive programs. Administrative burdens will be simplified for both taxpayers and the department. Current inconsistencies in tax incentives include different due dates, extension provisions for surveys, and penalty structures.

## **GOVERNMENTAL OPERATIONS**

### **Unclaimed Property Revenue - HB 1845**

The department has proposed legislation to improve the quality and efficiency of the Unclaimed Property program's administration. Changes include eliminating requirements regarding advertising and record retention, and revising finder/locator fee restrictions. The legislation would also allow the sale of dividend re-investment plans and mutual funds similar to the current sale of other securities. Also, the department would be able to contract with licensed private investigators to provide information on apparent owners of unclaimed property. (Unclaimed Personal Property Account-Nonappropriated)

### **ACTIVITY DESCRIPTIONS**

#### **Administrative**

Internal services include the cost of overall management of the agency, internal audit, accounting, budget, cash management, facilities management, purchasing, personnel, employee training, quality improvement, and legal services provided by the Attorney General's Office. A significant portion of the costs in this category represent the legal costs associated with the defense of the state's tax system.

#### **Property Tax Administration**

The Department of Revenue has a statutory obligation to ensure uniformity within the state's property tax system and oversee the administration of property taxes at both the state and local level. The department also determines the state school levy; conducts complex appraisals on commercial, industrial, and special use properties; administers property tax exemptions and deferral programs; and provides guidance, training, and assistance on property tax issues to county officials.

#### **State and Local Revenue Collection and Distribution**

The Department of Revenue is responsible for the fair, efficient, and uniform administration of state tax laws. Primary activities include taxpayer registration, tax return processing collection activities, accounting for and distributing state and local tax revenues, and promotion of voluntary compliance through taxpayer education, information, and assistance. These activities are conducted from offices throughout the state and are supported by a statewide computer network.

#### **Tax Auditing**

The department's audit function is carried out across Washington State and throughout the United States. Auditors are given one of three assignments: permanent in-state locations, permanently assigned out-of-state locations, or short-term out-of-state tours. The auditors review the records of registered businesses for the proper reporting and payment of taxes. Taxes routinely audited include sales and use, business and occupation, and public utility taxes.

#### **Tax Policy Research, Analysis, and Interpretation**

Tax policy activities involve coordinating interdepartmental services and providing information and guidance to the public, employees, and all levels of government. Specific functions include preparing fiscal notes; analyzing and drafting legislation; reviewing and drafting rule revisions; forecasting non-General Fund revenues; and analyzing proposed changes to tax statutes and tax law changes on small business.

#### **Taxpayer Appeals**

The department hears taxpayer appeals, issues written determinations, renders formal and informal tax law interpretations, mediates and negotiates settlements of tax disputes, and executes settlement closing agreements when appropriate.

#### **Unclaimed Property Management**

The department administers the provisions of the State Uniform Unclaimed Property Act. The department receives the transfer of abandoned property to the state and tries to locate the owners through advertising and providing public access to abandoned property information. The department's role is to act in the interest of the property owners and return the abandoned property to the rightful owners whenever possible. Examples of abandoned property include utility deposits, insurance policies, safety deposit box contents, dividends, and savings accounts. (Unclaimed Personal Property Account-Nonappropriated)

#### **Compensation Cost Adjustment**

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

**Middle Management Reduction**

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount. These savings will be assigned to the appropriate activities after the budget is enacted.